

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 21, 2003

APPLICATION OF

DALE SERVICE CORPORATION

CASE NO. PUE-2001-00200

For a general increase in rates

FINAL ORDER

On April 6, 2001, Dale Service Corporation ("Dale Service" or "Company") completed its application for a general increase in rates for services. Those rates, due to become effective September 1, 2001, were designed to produce additional annual operating revenues of \$4,356,888.

The Company represented that the additional annual operating revenues were necessary to cover increased operating expenses, debt service, and other costs associated with the debt related to upgrading its wastewater treatment facilities in order to meet the wastewater effluent limits in its wastewater discharge permits issued by the Virginia Department of Environmental Quality.

On April 12, 2001, Dale Service filed a Petition for Waiver of Rate Case Filing Requirements ("Petition") in which it requested that the Commission waive its Rules Governing Utility

Rate Increase Applications¹ that require the filing of "jurisdictional" schedules.

On June 27, 2001, after discussions with the Staff of the State Corporation Commission ("Staff"), Dale Service filed its Amended Application in which it requested a phase-in of the proposed increased rates. Specifically, Dale Service asked for a Phase 1 increase of \$1,835,433 to be effective, subject to refund, as of October 1, 2001, and for a Phase 2 increase of no more than \$2,521,455 to be effective, subject to refund, as of October 1, 2002. For Phase 1, Dale Service proposed to increase current quarterly rates of \$40.80 for residential customers and \$51.00 for commercial units to \$63.00 and \$80.00, respectively.

On July 12, 2001, the Commission issued an Order for Notice and Hearing. In this order, the Commission directed the Company to give notice of its application; established a local public hearing on September 24, 2001, for Phase 1; set the public evidentiary hearing for September 18, 2002, for Phase 2; authorized Phase 1 rates to become effective, subject to refund, on or after October 1, 2001; authorized Phase 2 rates to become effective, subject to refund, on or after October 1, 2002; adopted a procedural schedule for the case; and assigned the matter to a Hearing Examiner.

¹ 20 VAC 5-200-30 *et seq.*

On July 24, 2001, the Commission issued an Amending Order, in which it directed that the public hearing scheduled for September 24, 2001, convene at both 2:00 p.m. and 7:00 p.m. in the Board Chambers Room of the James J. McCoart Administration Building, 1 County Complex Court, Prince William, Virginia 22192.

On August 1, 2001, Dale Service filed a Motion to Amend Order for Notice and Hearing. In its Motion, the Company requested that the Commission extend the date by which its newspaper publication must be completed from July 27, 2001, to August 3, 2001. A Hearing Examiner's Ruling dated August 2, 2001, granted Dale Service's Motion.

On September 24, 2001, local public hearings were held as scheduled in the Board Chambers Room of the James J. McCoart Administration Building, Prince William, Virginia. Six public witnesses appeared during the 2:00 p.m. hearing, and two public witnesses presented testimony during the 7:00 p.m. hearing.

On June 5, 2002, Dale Service filed a Motion for Leave to file Corrected Supplemental Application and Testimony. In its Corrected Supplemental Application, the Company requested confirmation of the procedural schedule set forth in Order for Notice and Hearing, and asked to be directed to publish notice of the Phase 2 rates, which it now requested to be set at \$86.75 per quarter for residential service and \$113.00 per quarter for

commercial units. A Hearing Examiner's Ruling dated June 5, 2002 granted the Company's Motion. Additional notice was directed in a Hearing Examiner's Ruling dated August 29, 2002.

On September 18, 2002, the evidentiary hearing was convened as scheduled. Richard D. Gary, Esquire, and Renata M. Manzo, Esquire, appeared on behalf of Dale Service. Joseph W. Lee, III, Esquire, represented the Staff. One public witness appeared at the evidentiary hearing. A Stipulation, executed by the Company and Staff and designed to resolve all of the issues in this case, was presented at the hearing.²

On December 11, 2002, Hearing Examiner Alexander F. Skirpan, Jr. issued his Report recommending that the Commission adopt the findings in his Report, grant Dale Service an increase in gross annual revenues of \$3,501,934, and dismiss this case from the Commission's docket of active cases. In his Report, the Hearing Examiner made the following findings:

(1) The use of a test year ending December 31, 2000, is proper in this proceeding;

(2) Dale Service's Phase 1 operating revenues, after all adjustments, were \$3,437,612;

(3) Dale Service's Phase 1 operating expenses, after all adjustments, were \$3,264,093;

² Stipulation is provided as Attachment A.

(4) Dale Service's Phase 1 net operating revenues, and adjusted net operating income, after all adjustments were \$173,519 and \$171,219, respectively;

(5) Dale Service's current rates produce a return on Phase 1 adjusted rate base of 0.92%, a DSC ratio of 0.18, and a return on common equity of -23.18%;

(6) Dale Service's Phase 1 adjusted rate base is \$18,628,487;

(7) Based on the Stipulation, Dale Service requires \$1,835,433 in additional gross annual revenues to earn a reasonable return on rate base. Thus, Dale Service's proposed Phase 1 rates are just and reasonable and should be made permanent for the Phase 1 rate period of October 1, 2001, through September 30, 2002;

(8) Dale Service's Phase 2 operating revenues, after all adjustments, were \$3,474.142;

(9) Dale Service's Phase 2 operating expenses, after all adjustments, were \$3,885,069;

(10) Dale Service's Phase 2 net operating revenues, and adjusted net operating income, after all adjustments were (\$410,928) and (\$413,505), respectively;

(11) Dale Service's current rates produce a return on Phase 2 adjusted rate base of -2.19%, a DSC ratio of 0.23, and a return on common equity of -37.25%;

(12) Dale Service's Phase 2 adjusted rate base is \$18,905,199;

(13) Based on the Stipulation, Dale Service requires \$3,501,934 in additional gross annual revenues to earn a reasonable return on rate base. Thus, the Phase 2 rates provided in the Stipulation are just and reasonable and should be made permanent for the Phase 2 rate period beginning October 1, 2002;

(14) Dale Service should be required to refund, with interest, all revenues collected under its interim Phase 2 rates in excess of the amounts found just and reasonable herein;

(15) Dale Service should be required to file AIFs with the Commission with its AIF for 2002 due no later than May 1, 2003. Dale Service should be required to include a DSC calculation, fully adjusted, on a basis consistent with that utilized by the Staff in this proceeding and shall assume 400 new service connections, until otherwise agreed upon by the Company and Staff;

(16) If Dale Service's AIF calculates a DSC that exceeds 1.20, or if the Commission later adjusts Dale Service's AIF to produce a DSC above 1.20, Dale Service should be required to reduce its rates going forward as of the next quarterly billing to produce a 1.20 DCS;

(17) Dale Service should be required to implement a \$1,800.00 capacity charge per new connection and treat such amounts as revenue. If in any test year Dale Service receives more than 400 capacity charges, Dale Service should be required to impute interest income on the capacity charges in excess of 400 as a going-forward adjustment to test year results, and not include such excess capacity charges as revenue for ratemaking purposes;

(18) Dale Services should be required to revise its tariff to include the rules and regulations set forth in Attachment B to the Stipulation, and maintain its books in accordance with the Uniform System of Accounts for Class C water utilities;

(19) Dale Service should apply a 5% depreciation rate to the portion of the new facilities supported by its bonds and shall apply a 3% composite rate to all other depreciable plant, CIAC, and any replacement plant; and

(20) Dale Service should be required to report promptly to the Commission the receipt of any additional grants related to the new facilities installed to comply with new environmental regulations and initiate discussions with the Staff as to the ratemaking effect of such grants.

NOW THE COMMISSION, having considered the record, the Stipulation, and the Hearing Examiner's Report, is of the opinion and finds that the Hearing Examiner's findings and

recommendations should be approved. We will approve the proposed revenue increase, rates, refunds, and proposals set forth in the Stipulation and Attachment A attached hereto. Since the Company billed rates lower than the noticed amount and has implemented the rates contained in the Stipulation, there should be no refunds.

Accordingly, IT IS ORDERED THAT:

(1) The findings and recommendations set forth in the December 11, 2002, Hearing Examiner's Report are hereby adopted.

(2) The Stipulation ("Attachment A") referenced herein is adopted and its terms are incorporated herein by its attachment hereto.

(3) Within 30 days of this Order and no less than once every 3 years, Dale Service shall give notice to its Commercial customers according to the format in Attachment B of this Order.

(4) Dale Service shall be granted an increase in gross annual revenues of \$3,501,934.

(5) This case is hereby dismissed from the Commission's docket of active cases.